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ABSTRACT

This document presents an overview of management strategies to help administrators make the most of available private-sector resources. The key is to view the private sector as a resource that can provide an infusion of expertise, accountability, and cost effectiveness into public education. Following the introduction, the second section examines contracting for support services, such as pupil transportation, food services, facilities management, and facilities construction. Section 3 examines the three main areas of core-service contracting--management services, instruction, and curriculum--and presents examples of actual arrangements. A conclusion is that greater school autonomy and decentralization are essential aids in promoting public-private partnerships. Appendices offer information on innovative management techniques, the principles of successful contracting, and contact sources. Six tables and seven figures are included. (LMI)

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Policy Study No. 169
November 1993

MAKING SCHOOLS WORK:
CONTRACTING OPTIONS FOR BETTER MANAGEMENT

by
Janet R. Beales and John O'Leary

EXECUTIVE SUMMARY

Can America's public schools be improved? Unquestionably. Even without additional spending, school administrators can take advantage of management strategies that stretch available resources. The key is to view the private sector as a resource, one that can provide an infusion of expertise, accountability, and cost-effectiveness into public education. Consider:

- The Baltimore Public Schools, among others, have engaged a private management firm to operate some public schools.
- Minnesota and five other states enable high school students to take courses at local colleges—both public and private.
- In the past 6 years, the number of schools contracting for their food service has more than doubled; still, only 11 percent of schools contract for food services, compared to over 90 percent of businesses.
- Districts in three states have "Satellite School" programs, placing public schools at business worksites. Satellite schools have saved Dade County, Fla. over $2 million in reduced transportation and infrastructure costs.
- Companies providing foreign-language instruction, science programs, and remedial education now work with public schools to broaden course offerings for students.

Ideas dismissed as radical just a few years ago are now helping public-school officials better serve their students. In areas as dissimilar as pupil transportation and curriculum design, administrators are using the private sector to promote excellence throughout the learning environment. Many administrators are also making greater use of contracting for support services, allowing them to focus on their core function—education.

This paper presents administrators with an overview of management strategies that can assist them in making the most of available resources. It presents a new look at old ideas—such as contracting for support services—while also documenting recent advances in school management. Increasingly, public-school administrators are putting the competitive efficiencies of the market to work providing their students with the best education possible.

TABLE OF CONTENTS

I. INTRODUCTION 1

II. SUPPORT SERVICES: THE MAKE OR BUY DECISION 4
- A. Pupil Transportation 5
  - 1. Overview 5
  - 2. Strategies for Streamlining 6
- B. Food Services 11
  - 1. Overview 11
  - 2. Improving Cafeteria Management 11
- C. Janitorial/Facilities Management 13
- D. School Facilities 15
  - 1. Industry Overview 15
  - 2. Satellite Schools: The Private Provision of Facilities 17

III. CORE SERVICES: ENRICHMENT OPPORTUNITIES FOR STUDENTS . . . 18
- A. Management Services 18
  - 1. Overview 18
  - 2. Private Management of Public Schools 19
- B. Instruction 21
  - 1. Overview 21
  - 2. Opportunities and Techniques 21
- C. Curriculum 26
  - 1. Overview 26
  - 2. New Approaches in Curriculum Development 26
  - 3. Instructional Technology 27

IV. CONCLUSION 28

ACKNOWLEDGEMENTS 28

ABOUT THE AUTHORS 29

APPENDIX A - INNOVATIVE MANAGEMENT TECHNIQUES 30
- Recommended Resources 31

APPENDIX B - PRINCIPLES OF SUCCESSFUL CONTRACTING 32

APPENDIX C - CONTACTS 33

REFERENCES 35

I. INTRODUCTION

A sign in the schools in Piscataway, New Jersey, depicts the letters "B.A.U." with a red line running through them. The superintendent says it means, "No more 'Business As Usual'."[1]

American public education is undergoing a transformation. In areas as dissimilar as pupil transportation and foreign-language instruction, administrators are making greater use of private-sector providers to promote excellence in every part of the learning environment. Ideas dismissed as radical just a few years ago are now helping public-school officials better serve their students, as American educators are changing the way they deliver educational services.

Why has this come about?

Pressure to improve academic performance has prompted many administrators to explore new administrative approaches. The problem is not *how much* money is spent on education but *how well* that money is spent. Inefficient allocation of resources plagues public schools, and too many expenditures fail to reach the classroom. Consider that:

- Only about half of all public-school employees are teachers (See Figure 1). Out of 4.5 million school staff employed in 1990 by the nation's public schools, just 2.4 million were teachers.[2]

- Public schools operate with five times more noninstructional personnel per student than parochial schools.[3]

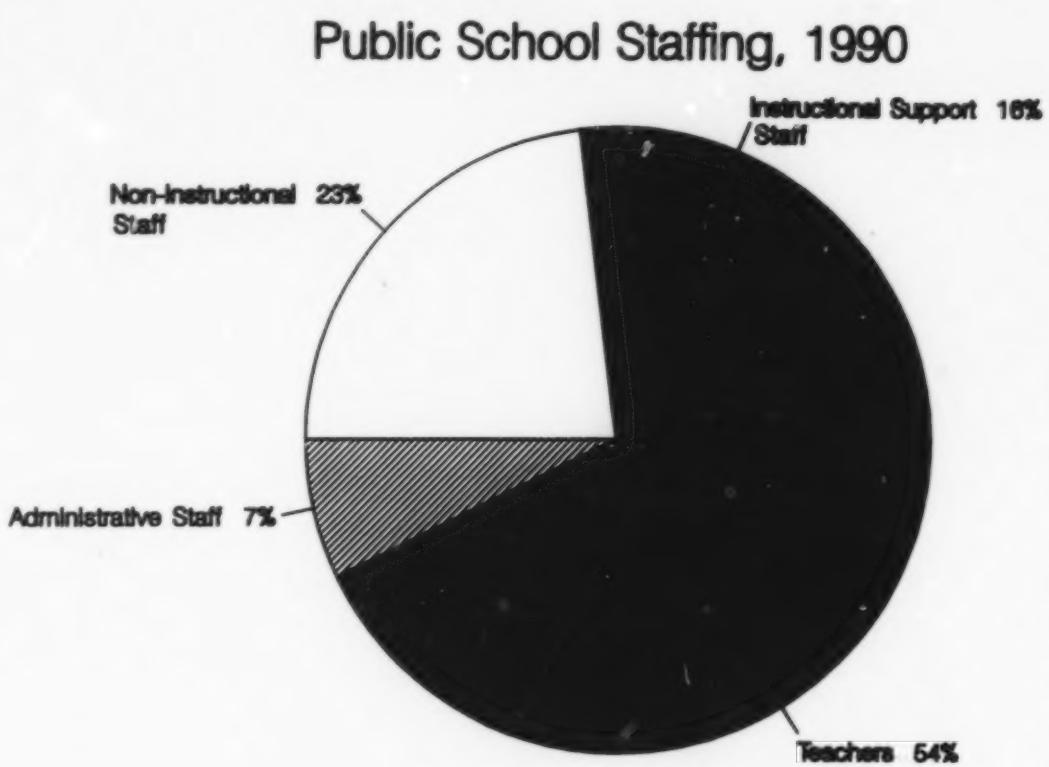
- Between 1960 and 1984, the number of nonclassroom instructional personnel in America's public-school system grew by 400 percent, nearly seven times the rate of growth of classroom teachers.[4]

- Noninstructional and support activities total 42 percent of public-education spending.[5]

Though schools often suffer from a scarcity of education resources, the crisis in education is not due to a lack of funding. Americans spent $16 billion on K-12 public education in 1960; $96 billion in 1980; and over $200 billion in 1990, which represents an inflation-adjusted increase of 300 percent in 30 years with only minor changes in enrollment[6] (See Figure 2). During the decade of the 1980s alone, inflation-adjusted per-pupil spending in public schools increased 37 percent.[7]

Recognizing the need to restructure operations, school administrators are changing their approach to providing education. The transformation now underway has the potential to improve efficiency and increase accountability. This guide presents school administrators with a survey of public-

Figure 1

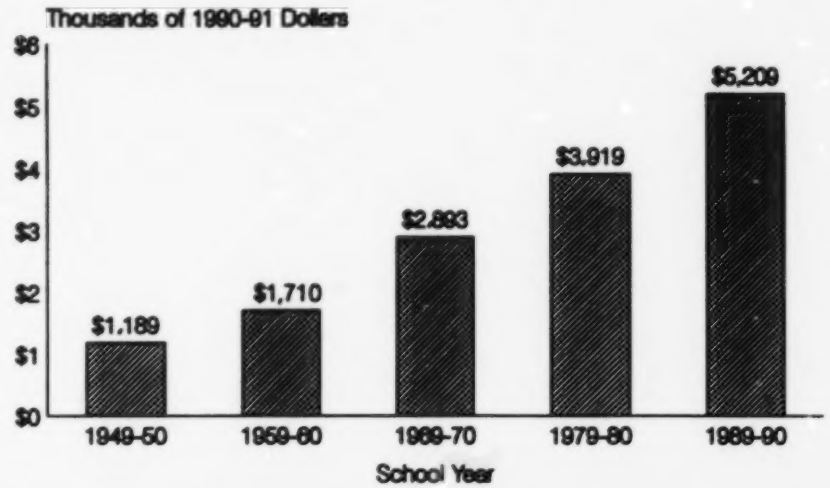

Public School Staffing, 1990
Instructional Support 16% Staff
Non-Instructional 23% Staff
Administrative Staff 7%
Teachers 54%
Employment figures given in full-time equivalents.
SOURCE: Digest of Educational Statistics, 1992

school practices that involve private-sector providers. Whenever possible, the guide includes case studies to illustrate the advantages and drawbacks of various management strategies.

Rather than providing a blueprint for school management, educators are presented with a number of options for providing quality, cost-effective services to students in their communities. A resource list at the back of this study will help the reader obtain additional information about the services discussed.

Figure 2

K-12 Public-Education Spending Per Pupil (in constant 1990-91 dollars)



NOTE: Figures represent current spending per pupil in average daily attendance; this figure excludes certain capital costs, as well as other spending such as federal "Head Start" programs.
SOURCE: U.S. Department of Education, Digest of Educational Statistics, 1991

A SPECIAL NOTE ON CHARTER SCHOOLS

Charter school organizers may be particularly interested in pursuing public-private partnerships which can provide a variety of education services with little or no start-up costs. As of mid-1993, charter-school legislation, which allows some public schools to operate exempt from certain state and local regulations, had been approved in seven states, with several more states considering the idea.[8] Though suitable for conventional public schools, the flexibility of charter schools facilitates the use of many of the innovative management approaches presented here.

II. SUPPORT SERVICES: THE MAKE OR BUY DECISION

> "Contracting for auxiliary and support services is the trend of the future. Privatization of these services will enable school districts to obtain the management services of companies whose primary expertise and focus is in these specific areas. Thus, the quality of our schools in these areas should improve. This will also permit us as educators to focus our efforts in the areas of our expertise—educating the youth of our communities and state."
>
> *—Superintendent James M. Gray, Ed.D.*
> *Norman (Okla.) Public Schools*[9]

The cost of noninstructional activities such as administration, clerical support, maintenance, transportation, food services, and some capital outlay totals 42 percent of public-school expenditures. In 1989–90, public schools spent over $78.4 billion for noninstructional services.[10]

Many school districts already make some use of contracting for support services. As fiscal constraints tighten, more districts can be expected to do so. A survey of school districts in Southern California found that the number-one reason for contracting out was cost-effectiveness, followed by the availability of specialized expertise.[11] School District Business Manager Billy H. Conn, of Tucson's Catalina Foothill School District, says:

> My reasons for advocating private-sector contracting are twofold. First, it is imperative that a school district remain as flexible as possible in responding to change. Secondly, the cost of support operations needs to be minimized whenever possible.[12]

In a 1987 poll, secondary school principals reported that their number-one problem, cited by 83 percent of the respondents, was "Time taken by administrative detail."[13] These officials have been asked to do the impossible: to be proficient at a bewildering range of activities—from menu planning to bus route design—in which they have limited expertise.

Deciding whether to contract for a service or produce it in-house requires comparing the cost and quality associated with each approach, often termed a "make-or-buy" analysis (see Table 1). The make-or-buy analysis should include a thorough cost comparison *beginning with an analysis of current in-house costs*. Public entities frequently do not collect reliable information on the actual, fully allocated cost of in-house services. Education analyst Myron Lieberman documents over $30 billion in spending that is not included in the Department of Education's estimate of $210 billion in annual public school spending;[14] and public finance expert Lawrence Martin estimates that in-house costs are routinely underestimated by 30 percent.[15] Due to the subjective nature of cost accounting, it is essential that an objective cost analysis be performed by a disinterested party; guides are available to assist public officials in this task.[16]

Table 1

CONTRACTING FOR SUPPORT SERVICES	
Step 1	Review applicable legislation and labor agreements to see what is allowed by law.
Step 2	Conduct a thorough cost analysis. Include frequently overlooked costs.
Step 3	Poll school officials that contract about their experience in terms of cost and quality.
Step 4	Conduct open, competitive bidding with clear specifications. Consider allowing in-house units to compete.
Step 5	Closely monitor any contract awarded.

SOURCE: Reason Foundation

Keys To Successful Contracting

- Open Bidding Process.
- Appropriately Detailed Specifications.
- Frequent Competitive Rebidding.

SOURCE: John Rehfuss, Reason Foundation How-to Guide No. 3.

In addition to the question of cost, service quality must be considered. Contractor quality is fostered through competition, for any contractor can be replaced by other providers if it performs poorly. To attract business and make a profit, providers must promote customer satisfaction by providing quality service in a cost-effective manner.

Privatization is not without administrative difficulties. Care should be taken to prepare thoughtfully written contracts to reduce the likelihood of problems. Structuring a privatization effort to assure fair treatment for current workers is also important. Guides to assist public officials with these implementation issues exist and should be consulted.[17]

A. Pupil Transportation

"When the noninstructional costs of operating schools are reduced, more money can be spent on educating children. The privatization of school transportation simply makes good business sense and generally allows more money to flow towards the primary mission of education."

—Superintendent Philip Geiger
Piscataway (N.J.) Public Schools[18]

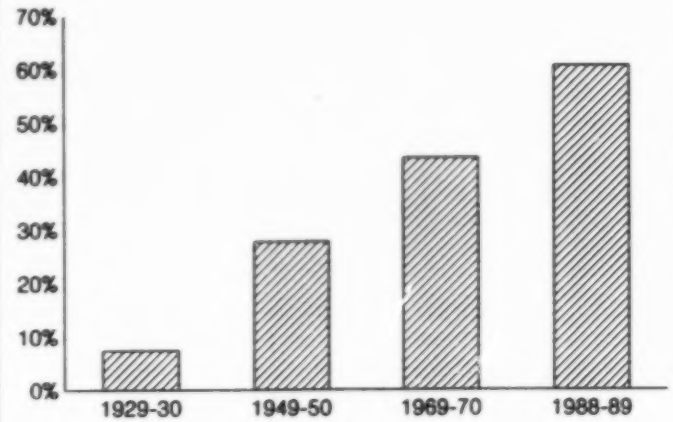
1. Overview

Public-school pupil transportation represents an enormous transportation enterprise, with $8.3 billion spent in 1990.[19] Over 22 million students are transported in more than 350,000 yellow school buses traveling over 3.4 billion miles each year.[20]

Approximately 60 percent of all public-school students are now transported by bus, following a historical trend of increased busing in public schools, as shown in Figure 3.[21] School buses

Figure 3

Percent of Public School Students Transported at Public Expense



SOURCE: Digest of Educational Statistics, 1991

Table 2

1992 SCHOOL BUS SAFETY IN CALIFORNIA

TYPE I SCHOOL BUSES

Operator	No. of Buses	Miles (in Millions)	Collisions per Million Miles
Public School	12,042	147	7.5
Contractor	3,613	59	10.3
Private School	661	6	8.0

TYPE II SCHOOL BUSES

Operator	No. of Buses	Miles (in Millions)	Collisions per Million Miles
Public School	2,570	34	7.7
Contractor	3,038	54	6.6
Private School	316	3	9.1

SOURCE: California Highway Patrol

make more than double the number of passenger trips made by all the mass transit buses in the country, and about 70 percent of all pupil transportation is provided by public providers.[22]

Per-pupil transportation costs have been rising sharply. In 1960, the public per-pupil transportation cost was just $40 per year, jumping to over $320 per year in 1989, an inflation-adjusted increase of about 100 percent.

2. *Strategies for Streamlining*

The main streamlining strategy for pupil transportation is contracting. Unlike many other industrialized nations, U.S. pupil transportation is largely provided by public providers, with only 30 percent of all school-bus services provided by private contractors. In contrast, virtually all school-bus service in England and New Zealand is provided through contractors, as is 80 percent in Canada.[23]

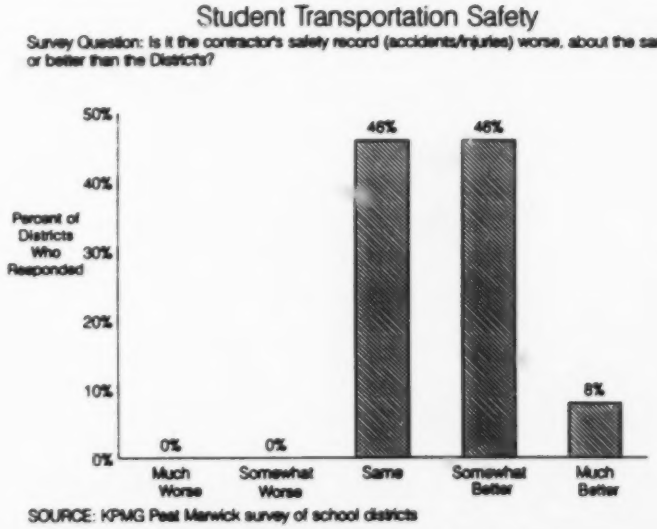
The top priority of school transportation administrators is pupil safety (see Table 2). Fortunately, school buses, whether operated by contractors or school districts, are an extremely safe form of transportation. In California, for example, where roughly a third of all school bus service is provided by private contractors, school buses traveled almost 1 billion miles between 1990 and

1992 with only one pupil-passenger fatality.[24] Public operators, contractors, and private schools have very similar—and very good—safety records.

The data in Table 2 shows contractors having a somewhat higher incidence of accidents for Type I school buses and a somewhat lower incidence for Type II buses. It should be taken into consideration, however, that a proportionally greater number of contractors operate in dense urban settings and thus operate under more accident-prone conditions. For instance, 100 percent of the bus service in San Francisco is contracted,[25] as is approximately 43 percent of the service in the Los Angeles Unified School District.[26]

School administrators often find contracted service to actually be safer than district operation. In a survey of administrators in Washington state and Oregon, respondents generally believed that contractors were as safe or safer than district operation (See Figure 4). According to Austin, Texas Superintendent Jim Hensley, his district had changed over to a private contractor after rumors of drug use and drug dealing among the district's school-bus drivers led to a police sting operation that resulted in three drug arrests. According to Hensley, after contracting "I had the peace of mind that came with knowing students were riding on newer, safer, better-maintained buses.... Of the approximately 120 drivers employed by the district, about 30 either failed the drug and other tests or refused to take them."[27]

Figure 4



Districts that contract have found that in addition to private-sector operating efficiencies, contracting often relieves the burden of capital expenditures. In most cases, the contractor is responsible for purchasing and maintaining equipment. Districts often generate income by selling or leasing their buses and/or bus terminals to the contractor.

For example, in a proposal under consideration in Pinckney, Mich., a contractor has offered to pay $561,000 for the existing fleet and garage equipment while also purchasing a minimum of nine new buses.[28] The school board estimates an immediate savings of $750,000 through privatizing with an additional estimated $70,000-per year reduction in operating costs (cost growth would be limited to 4 percent per year or the annual change in the Michigan Consumer Price Index, whichever is *less*). Says School Board President Timothy Gladney, "That's $750,000 we don't have to take out of the children's program."[29]

Few studies have compared costs between district bus provision and contracted service. One study by economists at Indiana's Ball State University analyzed transportation costs of school-bus service in Indiana and found public ownership to be approximately 12 percent more costly than contracting.[30]

The scarcity of comparison data is partly caused by the fact that many districts tend to significantly underestimate the true, total cost of in-house pupil-transportation costs. This problem is so endemic that an entire literature exists to assist public officials in assessing the true cost of district bus operation.[31] A 1993 study by KPMG Peat Marwick was unable to draw any conclusions regarding the relative cost of public and contracted operation because they considered the cost data available from districts to be unreliable and incomplete. The report stated that when analyzing "Districts' costs, the quality, accuracy, and comparability of the data was highly questionable."[32] When a true cost analysis is conducted, contracting is often found to produce substantial savings.

The KPMG Peat Marwick study examined 30 school districts in Washington and Oregon that had turned to privatization since 1980. The study surveyed the opinions of public officials in districts that used contracting, finding that in the areas of cost and quality, competitive contracting was generally deemed superior to district-operated service (See Figures 5 and 6).

Figure 5

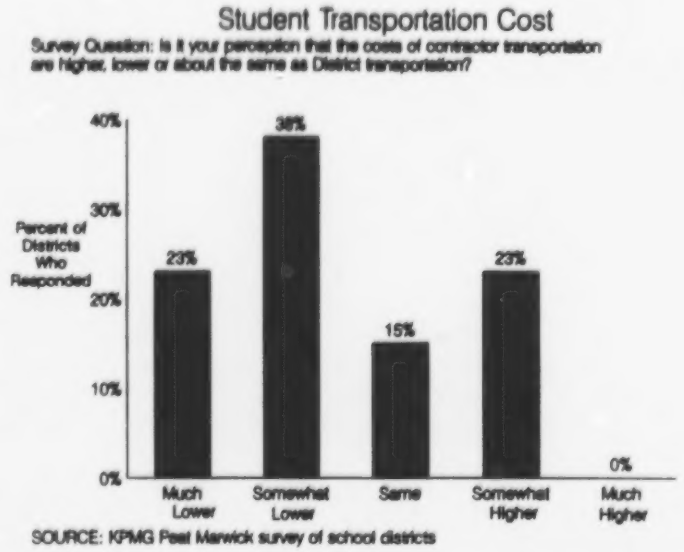
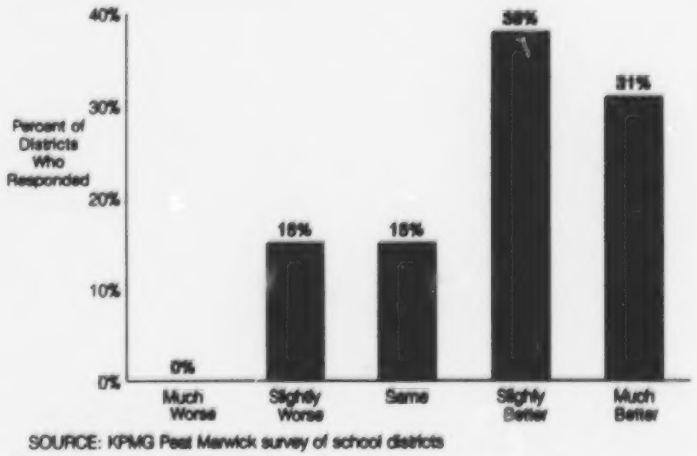


Figure 6



Experience in mass transit provides additional evidence that pupil transportation is a good candidate for competitive contracting. Compared to public operators, competitively contracted bus service was found to generate long-term cost savings of between 24 and 43 percent in Los Angeles and approximately 26 percent in Denver.[33]

CASE STUDY: PISCATAWAY (N.J.) PUBLIC SCHOOLS

Piscataway, N.J. Superintendent of Schools Philip E. Geiger has both a Ph.D. in education from Columbia and an MBA from the Wharton Business School. Saying that privatization simply makes "good business sense," Geiger has introduced contracting for bus service, which cut a $4.0 million budget down to $2.5 million a year and brought in an additional $1.35 million capital infusion for new buses. Geiger has also brought in a private firm to manage Piscataway's food services (estimated first-year savings: $500,000) and uses private consultants to assist with teacher evaluations.

Geiger's approach is to treat his students as though they were his customers, allocating resources in whatever way serves them best. Though Geiger's efforts may be popular with parents, they have generated political opposition, and Geiger said that the only problems his district experienced with privatization were "political problems."[34]

The bottom line? Says Geiger, "We were able to redirect funds from noninstructional to instructional uses and save tax dollars."

In June of 1993, Indiana became the first state in the nation to adopt legislation requiring school districts to consider priva-tizing their pupil transportation services. The law does not mandate private contracting. However, in order to receive their portion of state pupil-transportation funds, school districts must show that they are making "reasonable effort to provide, or to contract with a provider that will provide transportation services at a competitive cost."[35] For the first time, districts that operate inefficiently will be required to explore privatization or risk losing state funding.

In addition to contracting, there are other steps districts can take to reduce transportation costs. Auditing current bus operations in terms of labor utilization, staff training, and preventive vehicle maintenance can reveal potential cost savings.

For example, by staggering school starting times districts can use fewer buses and make more efficient use of labor. Durham County (N.C.) schools saved approximately $225,000 in operating and capital expenses by "pairing" schools in this fashion.[36] Another approach is to streamline school-bus routes. In many cases, bus routes are the result of historical precedent. Computerized school-bus routing can generate efficiency gains for some districts, but a needs/benefits analysis should be undertaken because it can be an expensive project.

B. Food Services

"Any money saved providing food services leaves more funds for educational programs."

—Lanny Ebenstein, Ph.D.
Santa Barbara School Board

1. Overview

Each day, an estimated 25 million public-school children eat prepared lunches and 5 million enjoy school-prepared breakfasts.[37] Roughly $8 billion dollars is spent preparing food in America's public schools.[38]

During the 1987–88 school year, the average cost to produce a school lunch was $1.62, including the value of donated commodities.[39] Approximately 20 percent of the average public-school lunch is made up of United States Department of Agriculture (USDA) commodities, and the USDA spent $4.2 billion on its school lunch programs and an additional $685 million on school breakfast programs.[40] More than 28 percent of all public-school students participated in federal free or reduced-price lunch programs, as did approximately 6 percent of private-school students.[41]

Historically, most school dining programs have been district operated, but that is rapidly changing. In 1969, the Food and Nutrition Service of the USDA amended its regulations to permit food-service management companies to contract with public-school food authorities and maintain eligibility for the National School Lunch Program (NSLP). Since that time, increasing numbers of districts are turning to private management firms. In 1987, only about 4 percent of all school districts contracted for food services; today, that figure is roughly 11 percent.[42] Still, public schools take advantage of the expertise of food-service companies far less than do businesses and other organizations (See Figure 7).

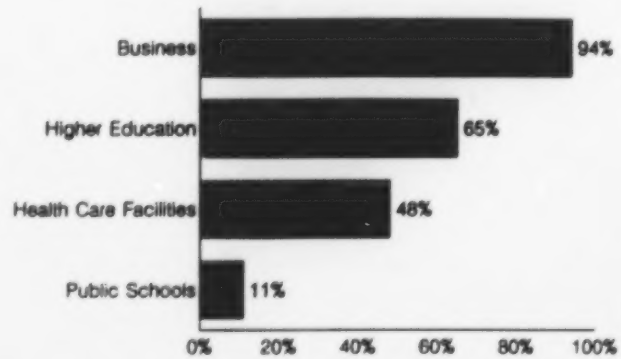
2. Improving Cafeteria Management

Since all food served in public schools that take part in the NSLP must meet the requirements of the USDA, quality standards for nutrition are identical for all providers, public or private. But companies that specialize in providing dining services are more likely to be familiar with a host of cost-limiting approaches than a small operation, including the latest techniques in food packaging, food preparation and storage, and menu design. A larger food-service company may also be able to obtain price reductions for bulk purchasing unavailable to some school districts. Larger operations are more aware of menu options that encourage student participation.

Whether using in-house or contracted services, school administrators must ensure the nutritional content of the food served. When it comes to health, nutrition, and safety, private firms have

Figure 7

Organizations Contracting w/Outside Management Firms for Food Service



SOURCE: Industry estimate by Robert J. Brady, Regional Sales Director of Marriot Corp.

an incentive to meet these requirements: a desire to stay in business. This kind of competitive pressure to perform is frequently missing when districts administer their own food-service operations.

Reacting to unsanitary conditions and widespread student dissatisfaction with district-run cafeterias, the Baltimore public school officials announced in July of 1993 that 18 high school food services would be turned over to private companies. According to *The Baltimore Sun*, a review of city health violations uncovered at the 177 Baltimore public school cafeterias during 1992–93 revealed that:

- 66 were infested with rodents and/or roaches;
- 36 had no thermometers to check food temperatures;
- 23 had no thermometers to monitor refrigerators;
- Franklin Square Elementary was cited for 28 violations, prompting a health inspector to comment, "If this were a restaurant, it would have been closed";
- Live roaches were found on food-preparation tables at Lake Clifton High;
- A dead rabbit was found beside a food storage room at Bentalou Elementary.

Baltimore Public School Director of Food and Nutrition Services Leonard Smackum says privatizing the 18 cafeterias could save more than $500,000 a year, increase participation in school dining programs, and possibly even boost overall school attendance.[43]

C. Robert Brown, superintendent of the Santa Cruz Valley, Arizona Unified School District, says contracting for food service in Santa Cruz has been a success. "Menus, food production systems, employee training and management have dramatically improved food quality," reports

Brown. The district has enjoyed an 87 percent decrease in the cost per meal and a 38 percent increase in the total number of lunches served, turning a $120,000 a year loss into a revenue source.[46]

It should not be assumed, however, that a private provider will excel. When contracting, it is important to establish monitoring procedures to ensure the contractor is performing satisfactorily. Most contracts allow schools to terminate a contract *without cause* with 30 to 60 days notice, an important safeguard for districts.

Contracting can be structured to avoid widespread layoffs for current workers. The Board of Education of the Norman (Oklahoma) Public Schools entered into a contract for food-service management with a private firm for the 1992–1993 school year. All 87 of the district's food-service employees were offered employment with the private firm, with 84 accepting. According to Superintendent James M. Gray: "Privatization of our food service has not harmed our community. On the contrary, it has been beneficial to Norman."[47]

FAST-FOOD IN PUBLIC SCHOOLS

Some school districts in California, Colorado, Virginia, and Wisconsin are contracting with well known fast-food franchises—such as Pizza Hut, Taco Bell, Kentucky Fried Chicken, and Subway. In Capistrano, Calif., a conglomerate has remodeled an existing school cafeteria into a multi-franchise fast-food mall. According to William Caldwell, director of food services for the Capistrano Unified School District, "It is unquestionably the most positive thing we've done in the nine years we've been here. The kids love it, and the parents love it." Though some groups have expressed concern about the nutritional value of the fast food, Caldwell says that, "When we did an analysis of what was available, the fat content is the same or lower. There's a lot of food being sold in school cafeterias that is unhealthy."[44]

Fast food has proven popular with students. At Green Bay's Southwest High School in Wisconsin, sales of school lunches have tripled since the program was introduced. The increased participation is generating additional money for the school district, sometimes by returning a profit but more often by reducing subsidies.[45]

C. Janitorial/Facilities Management

"It's a crime when you pay custodians more than professionals."
—Schools Chancellor Joseph Fernandez
New York City Public Schools[48]

New York City public-school janitors earn an average of $57,000 a year, while the average teacher in New York state earns $42,080.[49] In a school district beset by problems, every unnecessary dollar spent sweeping the halls is one less dollar that makes it into the classroom.

There are roughly 83,000 K-12 public-school buildings in the United States; all of them require cleaning, maintenance, and repair. The market for such services is estimated to be $9 billion

JOHNSON CONTROLS CLEANS UP BALTIMORE PUBLIC SCHOOLS

Johnson Controls World Services, Inc., in partnership with Education Alternatives, Inc., provides maintenance and operations services to nine Baltimore public schools. Services include building maintenance and repair, janitorial services, food services, and energy management.

Johnson Controls made substantial repairs and renovations to the schools. Baltimore Public School Superintendent Walter Amprey indicates that "Johnson Controls is being exceptional in all areas," giving them a perfect score on a customer satisfaction report.

According to Jim Butterfield, technical services specialist at Johnson Controls, much of the building's maintenance systems were technologically obsolete, and custodial equipment was outdated and labor intensive. Johnson Controls invested in state-of-the-art equipment and management systems—a move which will reduce maintenance and operations costs by 20 to 25 percent, estimates Butterfield. "That's more money for the bottom line; money that goes back into the classroom," he says.[72]

For example, Johnson Controls is retrofitting the schools' outdated lighting systems at a cost of $350,000. The upgrade will pay for itself within 1.3 years through greater energy efficiency and will continue to generate additional cost savings over its lifetime.

annually. It is estimated that 10 percent of this work is currently contracted.[50]

Studies on contracting for janitorial services for public buildings show significant cost savings, as competition generally fosters efficiency and often results in quality improvements.[51]

Few comprehensive studies exist on school custodial contracting, but a number of districts have enjoyed success with this approach. According to Anton Jungherr, Associate Superintendent of the Berkeley, California Unified School District, "The programs and training [the contractor] provided our employees have been most beneficial to them. As a result, positive changes can be seen throughout the schools." Berkeley Unified saved $500,000 by contracting for facilities management in the first year.[52] Table 3 shows other recent public-school experiences with contracting.

Like any contracted service, janitorial services must be carefully monitored. Carbondale (Ill.) Community District 165 has changed custodial firms three times since the district first privatized in 1984–85. According to District Financial Officer Steve Kosco:

> "When you think of making a change, get with an attorney to make sure all the T's are crossed and I's are dotted. It's not as easy as you may think. You really have to keep your eyes open."[53]

Issues such as weekend and after-hours use, exceptional cleaning costs (from flooding or vandalism, for example), and equipment costs should be clearly spelled out beforehand. Formal monitoring procedures should also be in place.

Table 3

JANITORIAL SERVICES

District	Contracted	Savings
Metro Nashville School District, Tenn.	Night custodial service at 24 of the district's 120 schools.	$432,500 per year.[54]
Peoria Unified School District, Ariz.	Four of 23 public schools cleaned by private contractors.	According to James Cherry, custodial supervisor, the Peoria District saved about $250,000 in 1991-92. "No question about it, we're a whole lot cleaner now." The contracts have been accompanied by improvements in in-house service delivery. "When I started this three and a half years ago, privatization was 25.6 percent cheaper, now the difference is less than 5 percent."[55]
Carbondale School District, Ill.	Custodial services	Financial Officer Steve Kosco says, "It has saved us between $200,000 and $250,000 a year for eight years. We have seen only a $10,000 raise in prices since we've contracted."[56]
Plano Independent School District	Phasing in custodial services, currently contracting at 11 of 40 schools.	According to Chief Executive Officer Dennis McCreary, the district saved more than $470,000 during the 1991-92 school year by contracting for custodial services.[57]

D. School Facilities

1. Industry Overview

Public-school construction is a multibillion-dollar industry; over $10.7 billion was spent in 1992 by school districts for construction of new buildings, additions, and modernization (not including interest payments on previous construction debt). (See Table 4). This continues an eight-year trend of increasing school-construction spending.[58] There are roughly 83,000 public-school buildings in the United States, with that number expected to increase as K-12 enrollment in public schools grows throughout the decade of the 1990s, from 41 million students in 1990 to 46.5 million students in the year 2000.[59]

On average, over three-quarters of the cost of a new school comes from construction, with site purchase and development typically accounting for about 10 percent of total cost. Table 5 details these new school costs.

Table 4

SCHOOL CONSTRUCTION COSTS, K-12, U.S. (In Thousands of Dollars)		
	Completed in 1992	1993-95 Projected
New	$4,572,068	$18,021,569
Additions	$3,494,184	$9,336,286
Modernizations	$2,663,184	$6,914,399
Total	$10,729,436	$34,272,254

SOURCE: Paul Abramson, "Building on a Boom," *American School and University*, May 1993, pp. 29-36.

Today's public schools are old: more than half the buildings now in use were built during the enrollment boom of the 1950s and 1960s. A report by the Education Writers Association characterizes those decades as "a time of rapid and cheap [school] construction....Many construction experts say the buildings were intended to last only about 30 years. If so, their time is up."[60] In addition to age, new technology requirements for computers and telecommunications equipment must be accommodated. State regulations for smaller class sizes, special-education classrooms, and accommodations for students with disabilities exacerbate overcrowding problems.[61]

To meet these demands, some school officials have adopted creative methods of accommodating students without building new schools. Alternative schedules, such as year-round, multi-track schools, can increase the effective utility of existing structures. The Los Angeles Unified School District, for example, staggers year-round attendance to deal with overcrowding. Steve Walters, administrator for year-round programs, estimates multi-tracking has avoided $1.1 billion of new construction costs for LAUSD.[62]

Table 5

HOW MUCH DOES A NEW SCHOOL COST?			
	Elementary	Middle	High
Percent for:			
Construction	75.2	80.2	79.6
Site Purchase & Development	11.4	8.9	7.3
Furnishings & Fees	13.4	10.9	13.1
Cost/Sq. Ft.	$96.86	$95.89	$98.84
Cost/Student	$10,307	$11,220	$13,794

SOURCE: Paul Abramson, "Building on a Boom," *American School and University*, May 1993, pp. 29-36.

Other strategies include lengthened class periods, flexible staffing arrangements, and multi-age groupings to help maximize classroom utilization. In addition, some districts are experimenting with shared-use facilities in which resources such as libraries or cafeterias are used by both school children and other organizations, such as community groups or senior's centers. In such cases, maintenance and operations costs may be shared among users.

2. *Satellite Schools: The Private Provision of Facilities*

The 1990s witnessed a new form of public-private partnership that can expand much-needed school infrastructure: satellite schools. Satellite schools are public schools located at business worksites. Businesses typically provide the infrastructure (land and building) free of charge to the local public school district. In return, the school agrees to enroll the children of the host-businesses' employees, enabling the business to offer a childcare benefit to its workforce. About a dozen partnerships of this type exist in three states, Florida, Minnesota, and California.[63] (See Table 6).

Table 6

COMPANIES HOSTING PUBLIC WORKSITE SCHOOLS

Company Name	Enroll	Grade
California		
Hewlett-Packard	60	K-2
Florida		
American Bankers Insurance Co.	60	K-2
Florida Power and Light Co.	40	K-1
Miami International Airport	80	K-2
Miami-Dade Community College	60	K-2
Mt. Sinai Medical Center	35	K-2
Honeywell Inc.	70	K-2
Bayfront Medical Center	45	K-1
Martin Marietta	60	K-2
Minnesota		
Target	75	K-4
3M	45	K
First Bank Systems	30	K
IDS Financial Services and Northern States Power	150	K-3

SOURCE: Reason Foundation

Faced with overcrowded classrooms, the Dade County School District, the nation's fourth largest, approached the business community with a plan to set up public schools at corporate worksites. American Bankers Insurance Group (ABIG) responded by establishing a school in 1987, enrolling roughly 60 K-2 children of employees of ABIG. The company contributes about $50,000 a year to the school to cover the cost of maintenance, security, utilities, landscaping, and insurance. The school district supplies everything else: teachers, curriculum, administration, and supplies. Because students commute to school (and

work) with their parents, the district also reduces busing costs. The Dade County School District annually saves roughly $65,000 in transportation costs as a result of the satellite schools.[64]

ABIG reports that employee turnover fell 9.5 percent and absenteeism dropped 30 percent among employees with children enrolled in the on-site school. The school district estimates it saved taxpayers $2 million in construction costs alone with the first three satellite schools built at private expense. In addition to the insurance company, the Dade County School District now operates satellite schools at an airport, a hospital, a community college, and a nuclear energy facility. Says Deputy Superintendent Thomas Cerra, "It's been very, very successful in every place."[65]

Satellite schools, because their enrollment is based on the demographics of the workplace, not the neighborhood, have also fostered desegregation. "I have the melting pot classroom," says Betsy Hogenough, kindergarten teacher at a satellite school located at Martin-Marietta in Florida. "We draw parents of all races so we have children of all races. We don't have to bus to get an integrated classroom," she says.[66]

III. CORE SERVICES: ENRICHMENT OPPORTUNITIES FOR STUDENTS

> "It is not government's obligation to provide services, but to see that they're provided."
>
> *—New York Governor Mario Cuomo*[67]

Within the past few years a number of innovative contracting arrangements have been embraced by school administrators. New approaches now have private-sector enterprises providing all or part of the operational and instructional services in a classroom, a school, or a group of schools. Such contracts take advantage of private-sector expertise to provide public education in the most efficient manner possible. The three main areas of core service contracting are:

- Management services.
- Instruction.
- Curriculum.

A. Management Services

1. Overview

Just under half (47 percent) of all public-school staff are nonteaching personnel.[68] According to the U.S. Department of Education, public schools operate with five times the number of noninstructional personnel per student compared to private Catholic schools. In 1987–88, for example, the public schools had approximately one full-time noninstructional employee on the

payroll for every 30 students. The Catholic schools, by comparison, used one noninstructional staff employee for every 150 students.[69] Within the classroom, U.S. private schools on average have 15 percent fewer pupils per teacher than public schools.[70]

Some staff requirements in the public schools are due to programs such as special education or other federally mandated services. Even after these programs are accounted for, however, public schools have proportionately higher numbers of noninstructional personnel than their private-sector counterparts.

2. *Private Management of Public Schools*

A growing number of school districts are looking to the private sector for basic education services, and several private-sector firms now offer management services to public schools. These comprehensive services may entail managing a single school or an entire district. The firms typically are given the same per-pupil funding as the public schools and assume full responsibility for all aspects of school operations, including administration, teacher training, and noninstructional functions such as building maintenance, food service, and clerical support.

The most prominent of such firms is Education Alternatives, Inc. (EAI). EAI is a private, for-profit management and consulting firm specializing in education. In June 1990, it signed a contract with a public school to manage South Pointe Elementary School in Dade County, Florida. Under the terms of the five-year, $1.2-million contract, EAI agreed to reduce student-teacher ratios, expand teacher training, increase the use of technology in the classroom, and implement its own innovative curriculum program, Tesseract.

Two years later, in June 1992, EAI signed a five-year $28-million contract with Baltimore Public Schools to manage both the curriculum and general services of eight elementary schools and one middle school. EAI has engaged Johnson Controls World Services to provide comprehensive building cleaning, maintenance and repair, and the accounting firm of KPMG Peat Marwick to assist with school financial operations.

Management at EAI expects the partnerships to reduce operating and administration spending by 25 percent, enabling EAI to reinvest 20 percent back into the classroom—and make a 5-percent profit.[71] For their part, school districts incur no additional costs because EAI operates the schools for the average annual per-pupil cost, about $5,500 in Baltimore, already allocated for public education.

Yet schools often enjoy enhanced service quality. For example, EAI's partnership with Johnson Controls World Services in Baltimore has led to an upgrade in facilities maintenance (See Case Study on page 15).

At South Pointe Elementary, EAI's efforts have been well-received by teachers, unions, and administrators alike. "Their training of teachers is the best I've seen in 35 years," says South Pointe Lead Teacher Linda Lentin. She points out that the teachers at South Pointe worked in conjunction with school administrators over a period of time to bring EAI to the school. In Baltimore, by contrast, there was some resistance from the teaching staff, because administrators "didn't give those teachers time to develop an open attitude toward the program," says Lentin.[73]

Because both the school and EAI's role in it are new, test-score results are not yet available. Says Lentin, "We think we'll see a small gain, but obviously you don't make those gains overnight. You have to give us some time, and give the kids some time." Perhaps one of the best indicators of the school's promise to date is the fact that a number of affluent families have chosen to send their children there despite the fact that over 90 percent of the school's students qualify for the federal lunch program for low-income students, according to Lentin. Says Lentin, "They said these [affluent] parents would never come, would never entrust their children to an inner-city school. EAI has helped us do that."[74]

Since the advent of contracts between EAI and the public schools, at least two more private-management companies have entered the market. Whittle Communications, which launched the Edison Project, a plan to construct 1,000 for-profit private schools, also intends to offer its services to public schools, including charter schools. According to Benno Schmidt, president of Edison, "We're going to bring our design to public schools where we're wanted, where we're invited and where we're given freedom."[75] Another start-up company, Alternative Public Schools, Inc. (APSI), based in Nashville, also offers management and curriculum-development services. Like EAI, APSI would provide management and curriculum-development services. Unlike its competitor, however, APSI plans to hire and train its own teachers to staff the public schools.

Not all private-management efforts are comprehensive in scope. Many school districts contract with management consultants for specific needs. The Detroit Public Schools, for example, contracts with Wilkerson & Associates to assist Detroit's 24 "Empowered Schools" in making the transition from conventional operation to autonomous charter schools. The consulting firm is assisting with team building as the school develops a new governance structure. It has established an automated financial-management system and helps the schools manage a competitive bidding process for purchasing goods and services. "We make sure we do knowledge transfer as well so [public administrators] can acquire the skills they need to do the work after our contract expires," says Wilkerson consultant Renee Bundy.[76] "The involvement with an outside firm was the major factor in helping these educators and parents at the schools be able to really concentrate on teaching children," says Larry Patrick, board member and past president of the Detroit Board of Education.[77]

The efforts of these private firms and the public schools in partnership with them signal a shift in the way schools manage administrative and instructional operations. Such services have traditionally been handled in-house, but with public pressure for school improvement, more schools may tap into the expertise and flexibility that private-sector management firms can provide.

B. Instruction

1. Overview

School enrollment is expected to surge, particularly in the western United States, increasing the demand for teachers. The U.S. Department of Education estimates that between 1990 and the year 2002, the number of teachers needed in all K-12 classrooms will increase by 19 percent, from 2.74 million to 3.25 million teachers.[78]

The cost of hiring these new teachers will be considerable. In 1991-92, the average public-school teacher's salary excluding benefits was $35,487; adjusting for the fact that teachers do not work a full year yields a full-time comparable salary of roughly $46,000.[79]

Teacher salaries have increased substantially in the last decade. Between 1981-82 and 1991-92, public-school teachers' salaries grew 22 percent after adjusting for inflation.[80] In general, public-school teachers are paid more than private-school teachers; according to the U.S. Department of Education, the average base salary for private-school teachers is roughly 35 percent less than that of public-school teachers.[81]

One way to meet the increased demand is to make use of a variety of private-sector instructional firms. An advantage of contracting for instructional services is that private providers can be judged on outcomes, with firms being rewarded for successfully teaching students. This is in sharp contrast to the backwards incentive structures often found in public schools. As Principal Roger Harris of the Timilty Middle School in Boston, Mass., explains: "I don't see any incentive for improvement. In fact, as public school scores go up, they lose funding....It's a Catch-22."[82]

2. Opportunities and Techniques

Many school districts are finding it more cost-effective to contract out for various instructional programs rather than developing and maintaining the same capabilities in-house. Instruction may be contracted out to education companies, to other private schools or colleges, or to private-practice teachers who contract with schools for instruction. The following examples illustrate the variety of instructional services that are now contracted out by public schools.

Programs for At-Risk Youth. Programs for students at-risk of failing or dropping out are now offered by private, for-profit firms. The Illinois-based Ombudsman Educational Services provides education programs for over 2,000 at-risk students in Arizona, Illinois, Minnesota, Florida, and Maryland. Middle and high school students are instructed by state-certified teachers with pupil-teacher ratios no greater than ten to one. The classrooms typically are located in commercial spaces, such as shopping centers or office buildings. Tuition at Ombudsman is $3,000 to $4,000 and is paid for by the school districts or on a private-tuition basis. That is well below the $5,000 to $8,000 that districts in those states spend on average to educate high-risk youths in the public schools. Moreover, Ombudsman boasts a retention rate of 85 percent of this hard-to-educate population. Says Boyle, "Anyone can teach good kids. It's the bad ones that make good teachers."[83]

The state of Minnesota allows some students failing to thrive in the public system to enroll in private, nonsectarian alternative schools at public expense. Part of the state's High School Graduation Incentives Program, the Private Alternative Program, allows students to enroll in private alternative schools on either a full-time or part-time basis. Approximately 20 private alternative schools take part in the Private Alternative Program, and in 1990–91 over 1,000 full-time-equivalent students participated.[84] In Wisconsin, the Milwaukee Public Schools offer a similar program for children at risk. In 1992–93, 1,035 Milwaukee students attended private, nonsectarian schools offering alternative programs.[85] Beginning in 1993–94, the Wisconsin legislature allows all districts within the state to contract with private providers for at-risk programs.

Post-Secondary Enrollment Option. Another method of enhancing the educational opportunities of students is to offer post-secondary options as part of the regular high school program. Through this approach, high school students may attend some or all of their classes at colleges and universities using public funding.

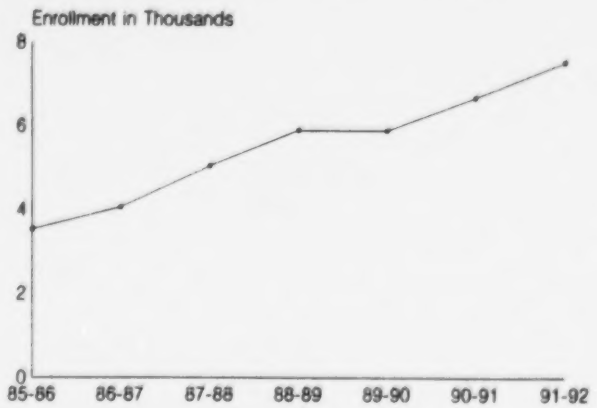
Since 1985, Minnesota high school juniors and seniors have had the option of enrolling in and attending a public or private institution of higher education to undertake coursework counting toward high-school graduation. (See Figure 8) A student may opt to take courses at both the high school and college level; the school district is funded in proportion to the services it provides. Some school districts contract directly with the college or university to offer post-secondary coursework under the direction of a college advisor and a specially trained teacher on the high school campus itself.[86]

Among the over 80 participating universities are the University of Minnesota campuses, the Minnesota State University system, community colleges, and, notably, private schools such as the College of St. Thomas, a church-affiliated school. The program allows the participation of religious schools provided the students enroll only in nonsectarian courses.

Because Minnesota high schools must compete to attract students, they have improved their offerings, as well. Says Stephen Etheridge, Minnesota's education finance specialist for post-secondary options, "The plain reality is that it helps reform the high schools because if they don't offer what the students want, they'll go some place else."[87] Florida, Iowa, Colorado, Ohio, and Wisconsin also offer post-secondary options for public high-school students.[88]

Figure 8

Minnesota High School Students Taking College Courses



SOURCE: Minnesota Department of Education

Special Education. Under federal law, children with disabilities must be provided with a "free appropriate public education." When the public schools cannot accommodate a particular child, they frequently turn to the private sector for help. In the United States, approximately 60,000 children with disabilities attend private schools at public expense.[89]

Basic day rates for a private-school placement typically range between $80 and $120 per pupil. Private-school placements are often more expensive than public-school placements. However, for some students, due to the nature of their disability, private-school placements are the most cost-effective means of providing appropriate instruction.

Remedial Education. The learning needs of children are unique, and some children require extra assistance. Most schools already have special funds, under the federal Chapter 1 program, for example, for the purpose of providing additional instructional support. Such support can be provided by teachers employed by the school district full time, or through contracting with a private firm responsible for hiring, training, and assigning teachers.

Sylvan Learning Systems, a private tutoring company, signed a contract with Baltimore Public Schools in 1993 to provide remedial education to disadvantaged students in five elementary schools. Using $1.4 million in funding from the federal Chapter 1 program for low-income students, the Baltimore schools have retained Sylvan to provide instruction to 660 eligible students. Sylvan provides one-hour tutorials twice a week with maximum student-teacher ratios of three to one. Class sizes in the Baltimore schools for remedial instruction currently average between eight and ten to one, according to Sylvan. If a student fails to achieve significant

increases in academic performance, the company will provide an extra six weeks of remedial education to the student at no charge to the schools.[90]

Other national franchise chains providing services to schools include Britannica Learning Centers and Huntington Learning Centers. Japanese-owned Kumon Educational Institute, Ltd. markets math and reading programs to American schools.

Foreign Language. Contracting out for foreign language enables public schools to broaden their course offerings without having to increase the size of their permanent staff.

DiaLogos International Corporation, based in Raleigh, North Carolina, was among the first private businesses to provide foreign-language instruction in public schools. Beginning in 1981, DiaLogos supplied the foreign-language program, including instructors, to a magnet school in the Wake County School District. Another private company, Berlitz International, Inc., which built its reputation by providing foreign-language instruction to business executives and tourists, now serves over 100 schools nationwide, including a handful of public schools.

Palmetto Elementary School, a public school in Florida, began using Berlitz in 1988 for its Spanish-as-a-second-language program. Berlitz also helps develop the language skills of native Spanish speakers in their home language. The cost of the program is the same as if the school district had provided it, but, says Palmetto principal Paul Papier, the Berlitz program offers more scheduling flexibility, program enhancement options, and easier access to the three certified teachers. "We tell them (Berlitz) what hours to come in. If we were using the district's teachers, we would have to fit into the district's hours," says Papier.[91]

Science Courses. Lacking teachers trained in the sciences, many schools offer limited science instruction at the elementary and secondary school levels. Contracting for science instruction or science-teacher training enables schools to enhance their science curricula.

Science Encounters and Discovering Science in Maryland are two private firms specializing in activity-based preschool and elementary school science programs. Science Encounters also provides teacher training workshops to improve the ability of regular classroom teachers to engage children in science. Science Encounters has trained teachers in the Washington, D.C. public schools under district contract.

While most of its classroom instruction is contracted with private schools, Science Encounters, which teaches science to 1,500 children a year and employs 30 part-time teachers, has cooperated with two public-school districts to offer after-school programs. The public schools provide the classroom space and parents pay the cost of instruction. "If children are turned on to science after school, they will be more interested in what they learn about it in their regular classes," says Robin Gross, director of Science Encounters.[94]

JAPANESE COMES TO HIGH TECH HIGH SCHOOL

High Tech High School, a magnet public school in Hudson County New Jersey, contracts with Berlitz to instruct students in Japanese and Spanish language and culture. According to Principal Karol Brancato, the arrangement expands educational opportunities for her students. "When contracting out, you're getting people who are experts in their particular area. It's hard as a principal to stay on the cutting edge with everything kids need to know because everything is changing so fast."[92]

About the contract with Berlitz, Brancato says, "It's economically feasible for us....What would we have done with a [full-time] Japanese teacher on staff the rest of the time? We're very happy with Berlitz, and I think contracting out is a real viable option for small programs." Brancato notes that private contracting could run into union opposition. "Fortunately," she says, "we've had nothing but cooperation from our union."[93]

Because the Berlitz teachers are not certified, students taking the course do not receive credit toward high-school graduation. However, the students can receive *college* credit for the course work.

Private-Practice Teaching. Teachers in private practice are self-employed professional educators who sell their services to public schools, private schools, individuals, or businesses. Though private-practice teaching is common in the private sector, it is just beginning to take root in public schools, where institutional barriers have slowed its acceptance.

Private-practice teachers can be hired on a full-time or part-time basis, as individuals or as part of a group. They can be hired to teach a regular curriculum course, such as math, or a unit within a course, such as math games. One advantage private-practice teachers bring to public schools is in the area of enrichment courses (such as art, music, computers, or language) that require special skills. Private-practice teachers typically come equipped with their own lesson plans, instruction techniques, equipment, and supplies.

Private-practice teachers offer school districts greater flexibility and quality assurances. If a private-practice teacher performs poorly, the district can simply choose not to renew the contract. Ted Kolderie and Ruth Anne Olson, pioneers of the concept, write in *Private Practice in Public-School Teaching:*

> The contract relationship provides a corresponding accountability. It is for a limited term. It expires if not affirmatively renewed. And it will be renewed only if both parties find the relationship a successful one.[95]

Currently, districts that cannot afford to hire a full-time teacher for enrichment programs simply go without. With private-practice teachers, however, a district can hire a teacher on a short-term

or part-time basis with minimal financial commitment, thereby providing students with exposure to a subject they might otherwise have missed altogether.

Private-practice teaching enables districts to tap into a whole new population of skilled educators: retired teachers and former teachers, business executives, students, scientists, college professors, and parents.

Driver's Education. There are a number of community-based driver's education services available to public schools. The flexibility that these companies provide is especially useful for small school districts that may not have sufficient student demand to warrant a full-time driving instructor.

Alan Schafer, district administrator for Johnson Creek Public Schools in Wisconsin, contracts for such services, explaining that the fluctuations in the demand from year to year are easily accommodated by using a private provider. The arrangement "gives us the flexibility of having the program or not depending on how many kids sign up, without having to go through lay-offs of staff," he says of his school district, which enrolls 550 students.[96]

Lyle McBride, part-owner of Valley Driving Systems, Inc., a private driver-training firm in California, claims "We can be economical about it because we're doing a large number of students, therefore we can spread those costs around," explaining that his biggest cost is insurance.

McBride cautions schools wishing to contract out their driver-training programs to take an active role in its design. "It must be their program....The district must outline in detail the mission they want to accomplish," says McBride.[97]

C. Curriculum

1. Overview

Curriculum decisions are influenced to some degree by nearly every level of government. Despite these influences, most curriculum decisions are made locally.

Curriculum is a politically sensitive issue, and control over teaching content is one of the central elements of public education. Nonetheless, opportunities exist for public officials to make use of contracting to improve and customize curriculum and teaching methods.

2. New Approaches in Curriculum Development

A number of reform-minded school districts have considered revising curriculum and teaching methods at the local level to meet local needs. In these cases, private companies have been

responsible for developing and implementing public-school curricula. Most often, the curriculum has been comprehensive in nature, usually developed for an entire school. However, curriculum can also be tailored for a particular type of student, grade level, or study area.

As part of their management services, Education Alternatives, Inc. and Alternative Public Schools, Inc. each provide their own custom-designed comprehensive curriculum and related teacher training. The Edison Project has also announced its intention to make its special curriculum available to public schools. Another curriculum designer is the Houston-based Performing Schools Corporation (PSC), which promotes a highly structured curriculum called Direct Instruction Teaching Arithmetic and Reading, or DISTAR. By its very nature as a provider in a contract arrangement, PSC is accountable for its performance in a way that public schools typically are not. In addition, the company offers a performance guarantee for student achievement and will take a prorated reduction in its contract fee if it fails to meet specified goals. Says John D. Privett, president of Performing Schools, "What you have here is an emerging $100-billion industry...(companies will be) competing on the basis of performance and cost to the district."[98]

3. Instructional Technology

According to a 1993 report by Market Data Retrieval, 30 percent of all school districts surveyed used Integrated Learning Systems (ILS) in the classroom, an 11 percent increase over 1991 levels.[99] One of the fastest growing segments of the educational technology market, ILS provides comprehensive lessons, typically supported by a personal computer, which are customized to meet individual student learning needs.

In 1993-94, the instructional-technology market for K-12 public schools, including the ILS market, was valued at $580 to $600 million, according to Mark Stevens, marketing director for Jostens Learning. Serving more than half the ILS market, Jostens is the largest provider of this type of education technology. Other major ILS and education-software vendors include Computer Curriculum Corp. (CCC), Eduquest, a division of IBM, and the Minnesota Educational Computing Consortium (MECC).

Jostens Learning provides computer-based curriculum to 14,000 public schools in subjects ranging from language arts to social studies to mathematics. Using software designed to support and monitor individual student progress, Jostens promotes what it calls an "interactive learning environment" in which software programs, hardware-service support, teacher training, puppets, and other classroom supplies are integrated and managed by Jostens.

"Most schools and educators know what kind of outcome they want, but may not know how to get there. We help them get where they want to go. We're a piece of the total instructional package," says Stevens.[100]

IV. CONCLUSION

Public-private partnerships have proven a useful strategy for school districts to reduce expenditures and expand the educational opportunities for their students. By contracting out for services, school districts can take advantage of the competitive efficiencies offered by the private sector, freeing them to focus on their core concern: student performance. As greater numbers of schools look to the private sector for innovative, economical, or expert solutions, more private-sector firms will be formed to meet those needs.

Widescale use of contracting will depend on school districts' willingness to consider alternative providers in areas traditionally handled by the public sector. Organizational resistance to change and employee opposition can be an obstacle to privatization. However, by working with public-employee organizations, privatization can be implemented in a manner that minimizes disruption.

Legislative reforms such as charter schools, which provide local educators with greater decision-making authority, enhance the opportunities for private-sector contracting and should be encouraged. Changing the legislative and political processes which govern public schools can have a significant impact on managerial efficiency.

The great value of public-private partnerships and contracting arrangements is that they harness competitive efficiencies to the benefit of student welfare. Monopolies are inherently inefficient organizational structures, and introducing competition in the provision of public education has the potential to stretch available resources and improve services.

Greater school autonomy and de-bureacraticization are essential aids to school administrators in their efforts to better serve students. Public schools can make better use of scarce resources by decentralizing decision making, flattening their hierarchical structures, and returning control to the local level. Doing so would enable school administrators to more easily employ the management strategies outlined in this study.

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ABOUT THE AUTHORS

Janet R. Beales is a policy analyst with the Education Studies Program of the Reason Foundation. Before earning her M.B.A. degree at the University of Washington, Ms. Beales was assistant editor for the *Fortune Encyclopedia of Economics,* and a project manager at the National Chamber Foundation in Washington, D.C. She is the author of numerous articles and Reason Foundation studies on education policy.

John O'Leary is a policy analyst with the Privatization Center of the Reason Foundation. He is a graduate of MIT and holds an M.S. degree in engineering. Mr. O'Leary is the editor of the monthly *Privatization Watch* newsletter, is a contributing editor to *Intellectual Ammunition* magazine, and writes a regular column for the *LA Daily News*. He is the author of numerous articles and studies on privatization.

APPENDIX A - INNOVATIVE MANAGEMENT TECHNIQUES: Making the Most of Available Resources

There are a variety of management techniques available to public officials striving to provide students with a quality education in a cost-effective manner. Many of the approaches described will be familiar to public-school administrators; others may be new. These management strategies may not be suitable in all cases, but should be evaluated by administrators.

Many of the techniques described fall under the general category of privatization—forms of alternative service provision that utilize competitive efficiencies. Privatization increases private-sector involvement but does not equate to an abandonment of public responsibility or a loss of public control.

These techniques include:

Vouchers. There are two main categories of vouchers. In a limited program, vouchers can be provided to special needs or at-risk children, allowing them to attend a private school with public funds. Vouchers can also be used to assist students in pursuing vocational or pre-professional instruction generally unavailable in the public schools. Under a comprehensive voucher program, *all* students are provided with a voucher redeemable at any school, public or private.

Contracting for Support Services. A public entity enters a contract with a private firm to perform a specific function. Contracts are commonly used in public schools for support services such as food services, pupil transportation, building maintenance, and data processing.

Contracting for Management/Curriculum Services. Contracting for management and curriculum services enables public school districts to engage private operators to manage educational programs—for a course of study, a school, or a number of schools within a district.

Contracting with Private Schools and Universities. Some public-school students have special needs (or abilities) that require special attention. In these cases, public schools allocate public funds to pay for that student's tuition in a private school better equipped to serve that student.

Interdistrict Arrangements. In some cases it makes sense for districts to coordinate services. For example, two small districts may choose to stagger their hours of operation and contract with the same bus company, thereby reducing transportation costs.

Public-Private Partnerships. This term covers a wide array of arrangements, including satellite schools, concession agreements for instructional services (as with Channel One), and local business-education partnerships, for example, in the area of vocational-intern training programs.

Philanthropy. This refers to charitable contributions of funds, equipment, and in-kind assistance provided to schools.

Asset Management. This entails making greater use of existing assets, such as through the sale or lease of unused facilities, or the renting out of facilities for use during non-school hours.

Recommended Resources

Satellite Schools: The Private Provision of School Infrastructure, by Janet R. Beales, Reason Foundation Policy Study No. 153, January 1993.

Designing an Effective Bidding and Monitoring System to Minimize Problems in Competitive Contracting, by John Rehfuss, Reason Foundation How-To Guide No. 3, February 1993.

How to Compare the Costs Between In-House and Contracted Services, by Lawrence Martin, Reason Foundation How-To Guide No. 4, March 1993.

Privatization and Public Employees: Guidelines for Fair Treatment, by John O'Leary and William D. Eggers, Reason Foundation How-To Guide No. 9, September 1993.

APPENDIX B - PRINCIPLES OF SUCCESSFUL CONTRACTING

The Ten Principles of Successful Contracting

1. Encourage competition.

2. Prohibit employees from having any financial or other interest in the contract.

3. Prohibit ex-employees from representing others, such as a contractor, before the agency. Two years prohibition after leaving the agency may be an appropriate period.

4. Only allow bid openings and awards in an open, public meeting.

5. If a bid is awarded on any basis other than the lowest competitive written proposal, publicize the rationale for the decision. Any formal bid analysis should be made public.

6. In setting standards, do not use the specification of anyone bidding for the contract.

7. If the bid is to be negotiated or based on an RFP basis, prepare a formal explanation of why the agency's interests are best served by the manner proposed.

8. Rely on legal counsel throughout the bidding process.

9. Once the bidding process begins, limit contacts with contractors to the negotiation period.

10. Publicize bid awards widely and vigorously and keep a record of the search for contractors and the bid award.

SOURCE: John Rehfuss, Reason Foundation How-to Guide No. 3.

APPENDIX C - CONTACTS

Alternative Public Schools, Inc.
28 White Bridge Rd.
Nashville, TN 37205
(615) 352-2138

American Association of
Educators in Private Practice
Chris Yelich
N7425 Switzke Rd.
Watertown, WI 53094
(800) 252-3280

American School Food
Services Association
1600 Duke Street, 7th Floor
Alexandria, VA 22314
(703) 739-3900

ARA Services, School Division
1101 Market St., 20th Floor
ARA Tower
Philadelphia, PA 19107
(800) 328-5200

Association of School Business Officials
11401 North Shore Drive
Reston, VA 22090
(703) 478-0405

Berlitz International, Inc.
125 Main St.
Westport, CT 06880
(203) 222-0537

Computer Curriculum Corp. (CCC)
P.O. Box 3711
Sunnyvale, CA 94088
(800) 227-8324

DiaLogos International Corporation
5104 Oak Park Rd.
Raleigh, NC 27612
(919) 782-2630

Durham Transportation, Inc.
9171 Capital of Texas Highway North
Travis Building, Suite 200
Austin, TX 78759-7252
(512) 343-6292

Edison Project
Whittle Communications
505 Market St.
Knoxville, TN 37902
(615) 595-5000

Educational Alternatives, Inc.
1600 West 82nd St.
Minneapolis, MN 55431
(612) 885-5572

Eduquest
411 Northside Parkway
Atlanta, GA 30327
(404) 238-2000

Johnson Controls World Services Inc.
7315 North Atlantic Ave.
Cape Canaveral, FL 32920-3792
(407) 784-7368

Jostens Learning
6170 Cornerstone Ct.
San Diego, CA 92121
(800) 521-8538

Laidlaw Transit
7501 S. Quincy, Suite L
Willowbrook, IL 60521
(708) 887-0134

Marriot School Services
1001 Bayhill Drive, Suite 200
San Bruno, CA 94066
(415) 742-7600

Mayflower Contract Services
5360 College Blvd., P.O. Box 7941
Shawnee Mission, KS 66207
(913) 345-1986

Minnesota Educational
Computing Consortium (MECC)
3490 Lexington Ave.
St. Paul, MN 55126
(612) 569-1500

National Big BUS Council
Department of Student Transportation
1819 West Pershing Road
Chicago, IL 60609
(312) 535-7740

National School Bus Service, Inc.
18-4 East Dundee Rd.
Barrington, Ill. 60010
(708) 382-0525

National School Transportation
Association
6213 Old Keene Mill Court, Box 2639
Springfield, VA 22152
(703) 644-0700

National Association for Pupil
Transportation
P.O. Box 745
East Moline, IL 61244
(309) 755-1060

Ombudsman Educational Services
1585 N. Milwaukee Ave.
Libertyville, IL 60048
(800) 833-9235

Performing Schools Corp.
5373 West Alabama, Suite 209
Houston, TX 77056
(713) 957-4941

Preferred Meal Systems
1672 Reynolds Ave
Irvine, CA 92714
(714) 770-5590

Private Alternative Programs
Minnesota Department of Education
550 Cedar St.
St. Paul, MN 55101
(612) 296-6105

Ryder Student Transportation Services
P.O. Box 020816
Miami, FL 33102-0816
(800) 648-7787

Science Encounters
4401 East West Highway, Suite 300
Bethesda, MD 20814
(301) 718-0808

ServiceMaster
1 Service Master Way
Downer's Grove, IL 60515
(800) 333-6678

Valley Driving Systems, Inc.
1888 West 6th St.
Corona, CA 91720
(714) 734-4720

Wilkerson & Associates, P.C.
19627 Grand River
Detroit, MI 48223
(313) 532-2660

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Reason
Foundation

3415 S. Sepulveda Blvd., Suite 400
Los Angeles, CA 90034
(310) 391-2245 Fax (310) 391-4395